

**Department of  
Veterans Affairs**

# Memorandum

Date: **NOV 01 2017**

From: Deputy Assistant Secretary for Finance (047)

Subj: Fiscal Year 2017 Third Quarter Report on High-Dollar Overpayments (VAIQ: 7844115)

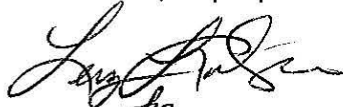
To: Inspector General (50)

1. In accordance with the revised Office of Management and Budget (OMB) Circular A-123, Appendix C, agencies with programs susceptible to significant improper payments under the Improper Payments Information Act are required to report quarterly the high-dollar overpayments that occurred within those specific programs to the agency's Inspector General and the Council of Inspectors General on Integrity and Efficiency, and to make this report available to the public. A high-dollar overpayment is any overpayment meeting the threshold that is in excess of 50 percent of the correct amount of the intended payment. The threshold for individuals is \$25,000 and for entities it is \$100,000. VA uses the results of statistically valid sampling for annual Improper Payments Elimination and Recovery Act reporting purposes to identify high-dollar overpayments.

2. During the third quarter, VA identified \$2.3 million in high-dollar overpayments. While testing for the quarter was statistically valid, some programs, which are highly complex and subject to significant improper payments, did not identify a substantial amount of overpayments meeting the reporting threshold. To ensure transparency, VA is also reporting that during the third quarter approximately \$218 million in established debt was reported from Veterans Health Administration (VHA) and Veterans Benefits Administration (VBA) programs that may meet high-dollar overpayment criteria; however, they have not been verified as improper payments. This debt represents about 0.26 percent of the total payments issued collectively by VBA and VHA in third quarter.

3. The attached report provides the total amount of reportable high-dollar overpayments made from VA's high-risk programs, actions taken or planned to recover identified overpayments, and actions taken or planned to prevent re-occurrence.

4. If you have any questions, please have a member of your staff contact Nicole Frish, Director, Improper Payments and Remediation Office (IPRO) at (202) 461-6145.



Laurie Park

Attachment

cc: Council of Inspectors General on Integrity and Efficiency

**Executive Order 13520 – Reducing Improper Payments**  
**Department of Veterans Affairs**  
**Fiscal Year (FY) 2017 Third Quarter High-Dollar Overpayments (HDOPs) Report**

**Total High-Dollar Overpayments Identified in Quarter: \$2,325,915<sup>1</sup>**

To ensure transparency, the Department of Veterans Affairs (VA) is also reporting that during the third quarter \$218 million in established debt was reported from Veterans Health Administration (VHA) and Veterans Benefits Administration (VBA) programs that may meet high-dollar overpayment criteria; however, they have not been verified as improper payments. For these programs, the established debt is approximately 0.26 percent of the total payments issued collectively by VBA and VHA in the third quarter. As reported in VA's Office of Inspector General's "Audit of VA's Implementation of Executive Order 13520 "Reducing Improper Payments", dated August 12, 2011, VA must consider debts established below the threshold because these debts may stem from payments that are over 50 percent of the intended payment amount. However, these debts cannot be reported as high-dollar overpayments for this reporting period because, as stated above, they have not been verified as improper payments.

**Actions/Plans to Recover Overpayments:**

VA will provide a Notice of Indebtedness to debtors informing them of VA's intent to recover the debt, remedies, and the consequences of failure to cooperate with collection efforts. VA will aggressively pursue the collection of delinquent debts through all means necessary, including but not limited to internal offset from current or future benefit payments, installment agreements, or the use of the Treasury Offset Program.

**Overall Actions/Plans to Prevent Re-occurrence of Improper Payments:**

VA is working to prevent re-occurrence of improper payments in its high-risk programs by implementing corrective action plans (CAPs). Key overall actions to prevent future overpayments, as well as milestones from the published CAPs are provided below:

**Veterans Health Administration:**

- VA Community Care (VACC) utilizes a highly manual claims processing system with limited automation to process claims for community-based services. In March 2016, Office of Community Care (OCC) leadership

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<sup>1</sup> All high dollar overpayments are attributed to VHA. HDOP were found in the following VHA programs Beneficiary Travel, VA Community Care (VACC), and Purchased Long Term Services and Support (PLTSS).

mandated that staff utilize qualitative tools that review claims in a pre-payment state for potential improper payments, allowing staff an opportunity to correct errors in advance of the payment being finalized. One of the tools looks for potential duplicate payments across the entire VACC payment system, something that cannot be done in real time by staff members due to the decentralized nature of the current claims processing system. Another tool reviews claims for potential coding errors, such as unbundled charges, that lead to improper payments. Guidance and standard operating procedures are also in development to support proper application of claims system coding edits. A new corrective action implemented in October 2016 is a daily pre-payment review of VA Community Care inpatient claims to ensure appropriate payment methodology and calculations are applied by staff. Errors within this claim type tend to be high-dollar value with multiple providers submitting claims for one episode of care. This manual review will be resource intensive, but OCC anticipates a significant contribution to reducing improper payments. Estimated completion date: This process is ongoing.

- Additional corrective actions underway include: reinforcing that expired contracts; such as the former Project HERO contracts, cannot be used to authorize or pay for community care services; collaborating with OCC revenue staff to improve the availability of insurance information in Veterans Health Information Systems and Technology Architecture (VistA); providing ongoing training to staff to ensure payments are processed properly; and establishing a primary and secondary level of review prior to issuing payments to reduce future improper payments.

#### **Veterans Benefits Administration:**

- Increase quality accuracy rates by providing training to claims examiners and updating processes to best use technological advances that reduce human errors. Estimated Completion Date: Completed
- Provide refresher training for Regional Processing Offices (RPOs) on Chapter 33, Post 9/11 GI Bill, and manual entry procedures to reduce manual payment errors. Estimated Completion Date: Completed
- VBA will implement improvements to lower the number of temporary total disability (100%) cases pending over 125 days to no more than 15% of review exams conducted which will ultimately decrease the amount of overpayments made to Veterans where the temporary disability rating of 100% should be downgraded. Estimated completion date: October 2017.
- Extend upfront income verification using Federal Tax Information (FTI) received from the Internal Revenue Service to include Social Security Administration information for claims due to reopen, dependency, medical adjustments, and requests for increase. Estimated completion date: December 2017.
- Explore additional opportunities to improve timeliness and accuracy when processing dependency claims. Estimated completion date: This process is ongoing.

- Review manual policies and procedures, to determine if clarification and updates are needed in the following areas: increase identification of death of beneficiaries; lack of supporting documentation; Medicaid Nursing Home patients; incarcerated beneficiaries; administrative errors; and dependents entitled to higher compensation. Estimated completion date: This process is ongoing.
- Pension and Fiduciary (P&F) Service identifies quality errors and provides error details to Pension Management Centers (PMCs). The PMCs are allowed an opportunity to agree with or rebut the cited error(s). The errors are compiled into one report and uploaded to the Systematic Technical Accuracy Review (STAR) database on a quarterly basis for viewing by all stations. This helps to identify and determine training deficiencies and trends. Estimated completion date: This process is ongoing.
- To address manual entry errors, Education Service continues work on quality reviews, administrative errors, and Improper Payments and Recovery Act (IPERA) for Education Chapter 1606, Montgomery GI Bill-Selected Reserve and Education Chapter 1607, Reserve Education Assistance Program. Estimated completion date: This process is ongoing.
- Education Service will conduct nationwide deployment of refresher training as necessary to RPO staff, school, and training facility officials to ensure adherence to proper reporting requirements. Training focusing on the reduction of improper payments will be provided. The training will be consistent across all four RPOs through utilization of the National Training Curriculum and updates to the Education Service Manual M22-4. Estimated completion date: This process is ongoing.
- Provide annual VR&E training and refresher programs on fiscal-related errors. Maintain yearly staff and counselor training on processing awards, facility authorizations, and obligations as well as other fiscal training. Estimated completion date: This process is ongoing.

#### **Disaster Relief Act – Hurricane Sandy:**

- Established a routine review of the contract Period of Performance and document this review in the monthly progress payments. Documentation reviewed monthly. Estimated Completion Date: Completed

#### **Payments to Federal Employees:**

- To address inconsistencies across the agency, the Financial Services Center (FSC) developed an automated tool which reviews timesheets for the Public Law 111-163 entitlement and calculates amounts due. The FSC hosted a Public Law consolidated processing event in Oct 2016 where all VISNs sent two representatives to train on the new process which provides the capability to review 14.5 million timesheets for Public Law entitlements. Using the new script, the FSC has redistributed Public Law workbooks back to 105 stations for review and certification. VA Time & Attendance System (VATAS) is Public Law semi-compliant as it will issue warnings when Public Law

entitlements are present and should be verified. VATAS is being programmed to hard code Public Law entitlements which will eliminate manual processes and is projected to be in production by the end of 2018. The FSC holds weekly calls for Q&A sessions and provides user-training, when necessary. Training is being conducted to inform timekeeping personnel of the risks associated with their activities and their responsibilities in complying with timekeeping policies and procedures designed to reduce these risks. Estimated completion date: Completed

- To address inconsistencies with the way Defense Civilian Pay System (DCPS) calculates overtime rates for Fair Labor Standards Act (FLSA) employees, the FSC had previously reported the issue to Defense Finance and Accounting Services (DFAS). However, recent test results indicate that VA is still facing challenges with overtime calculations for FLSA employees. FSC senior leaders are coordinating with DFAS and will provide sample calculations for DFAS to review in order to address these challenges. Estimated completion date: Completed
- As part of the pre-certification process, supervisors conduct a prepayment review of timecard corrections to ensure appropriate payment methodology and calculations. Additionally, local payroll offices participate in a post-certification process that includes analysis of DCPS reports to ensure correctness for each time and attendance transaction. The deployment to VATAS provides a centralized system where oversight is more easily available to address compliance with processing timecard corrections, decrease improper payments, increase productivity, and enhance user ease of use. Estimated completion date: July 2018.